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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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December 9, 2004

Frank Jackson, Budget Director
Budget Division
1200 Market Street, Room 419
St. Louis, MO 63101-2681

RE: Fixed Asset Review of the Budget Division (Project # 2005-3)

Dear Mr. Jackson:

Enclosed is a report of our review of the Budget Division Fixed Asset Management System (FAMS) for the period ending July 31, 2004. The objective of this review was to determine whether control procedures are in place to ensure that fixed assets and property control items are properly recorded reported, and safeguarded. Our fieldwork was substantially completed on September 3, 2004. An exit conference to discuss the observations and recommendations noted in the report was held on December 6, 2004. Management responses to the observations and recommendation noted in the report were received on December 7, 2004 and have been attached to the report.

We commend the Budget Division for its efforts in implementing some of the recommendations immediately after the entrance conference. We also appreciate the assistance provided by the Information Technology Services Agency (ITSA). However, due to the fact that the Budget Division and ITSA became separate departments in February 2003, we encourage the two departments to continue their collaborative efforts in determining which fixed assets and property control items each department will be responsible for tracking. We have made the following observations and recommendations:

1. Opportunity to Designate a Fixed Assets Management Systems (FAMS) Coordinator

The City's FAMS Policies and Procedures, Sections 110.30 and 210.08 require each department to designate a FAMS Coordinator with the responsibilities to:

- Report all fixed assets additions, exchanges, donations, transfers, retirements and adjustments to the FAMS Section.
- Review all FAMS management reports for accuracy.
- Conduct an annual inventory.

1. Continued...

- Provide physical safeguards (proper location and tagging) for fixed assets and property control items.
- Act as liaison between the department and the FAMS Section to reconcile and update the Fixed Asset Property Listing (FAPL) as deemed necessary.

The Budget Division did not have a designated FAMS Coordinator. When the ITSA became a separate department from the Budget Division in February 2003, the FAMS Coordinator position became part of ITSA and the duties were not re-assigned to a remaining Budget Division staff. By not designating a FAMS Coordinator, there is an increased risk that fixed assets may not be properly recorded reported and safeguarded.

Recommendation

We recommend that the Budget Division comply with the FAMS Policies and Procedures by designating a FAMS Coordinator to perform the duties of the position as required.

2. Opportunity to Perform and Document an Annual Physical Inventory

FAMS Policies and Procedures, Section 210.12 requires that an annual physical inventory be performed by each budgetary level organization in coordination with the FAMS Section.

The Budget Division had not performed an annual physical inventory because it was not familiar with the FAMS Policies and Procedures requiring the performance and documentation of an annual physical inventory.

As a result, items listed on the FAMS' Fixed Assets Property Listing (FAPL) reports were not located and items within the department were not included on this report. Specifically, we noted the following:

- Thirty (30) of the forty-three (43) or 70% of the items selected from FAPL were not located.
- Three (3) of the five (5) or 60% of the items selected from the floor were not listed on the FAPL.

Recommendation

We recommend that the Budget Division determine the physical existence of each fixed asset and property control item and its location by conducting annual physical inventories as prescribed by Section 210.12 of the Fixed Asset Policies and

2. Continued...

Procedures Manual. In addition, the Budget Division should prepare and submit the appropriate forms to the FAMS Section to add or remove assets from the FAPL as needed.

3. Opportunity to Develop and Maintain Internal Records of Assets and Property Control Items

Good management practices require that internal records are maintained and updated by the department. The Budget Division did not have its own internal listing of fixed asset and property control items. An internal listing was maintained by the previous information systems supervisor. However, in February 2003, ITSA became a department separate from the Budget Division and the listing was given to ITSA without a copy being retained by the Budget Division. Therefore, the Budget Division was unable to maintain its own internal listing of asset and property control items that were not transferred to ITSA, nor was the Budget Division capable of updating or reconciling to the FAPL to ensure accurate reporting.

Recommendation

We recommend that the Budget Division develop and maintain its own internal records of assets and property control items to assist in updating and reconciling items listed on the FAPL. The records should include at a minimum, the following:

- Description of the asset, including model number
- Cost basis
- Serial number
- FAMS asset number (if applicable)

4. Opportunity to Ensure Fixed Assets are Properly Tagged

Section 110.34 of the FAMS Policies and Procedures manual requires that the City owned assets and property control items are properly tagged. The Budget Division did not have tags and was not aware of the procedures for obtaining tags.

When items are not properly tagged, the Budget Division is unable to ensure that its fixed assets and property control items are accounted for and properly safeguarded. During our testing, we noted the following:

- Twelve (12) of thirteen (13) or 93% of the items selected from FAPL and located on the floor were not tagged.
- Three (3) of five (5) or 60% of the items selected from the floor were not tagged.

4. Continued...

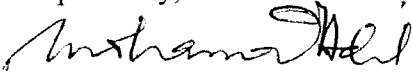
Recommendation

We recommend that the Budget Division obtain the fixed assets tags from the City's Multi-graph Section and properly affix them to assets and property control items as necessary to ensure that all assets are properly tagged as prescribed in the FAMS Policies and Procedures.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the International Standards for Professional Practice of Internal Auditing.

If you have any questions, please contact me at (314) 589-6132.

Respectfully,



Mohammad H. Adil, CPA
Internal Audit Supervisor

CC: Honorable Darlene Green, Comptroller
Thomas Bozzo, Deputy Comptroller
Rita Kirkland, Director of Operations, Office of the Mayor

Enclosure

MEMORANDUM

TO: Mohammad H. Adil, CPA

FROM: Frank Jackson, Budget Director

DATE: December 7, 2004

SUBJECT: Fixed Asset Review



This correspondence is intended to serve as management's response to the issues raised in your draft report.

1. Recommendation that the Budget Division designate a FAMS Coordinator.

Management concurs and a coordinator was named immediately after being verbally advised to do so by Internal Audit staff.

2. Recommendation that the Budget Division conduct a physical inventory and take steps to correct the official FAPL maintained by the Comptroller's Office.

Management concurs. A physical inventory was conducted in November and will be performed annually. The Budget Division's FAMS coordinator has worked with the City's FAMS coordinator to ensure that records reflect proper ownership and location information.

3. Recommendation that the Budget Division develop and maintain its own record of assets and property control items.

Management concurs and has developed such a listing. A copy is provided with this correspondence.

4. Recommendation that the Budget Division obtain and use tags to identify all assets and property control items.

Management concurs and the recommendation has been implemented.